



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

August 25, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo 
Auditor-Controller

SUBJECT: **ASPIRANET – A DEPARTMENT OF CHILDREN AND FAMILY
SERVICES FOSTER FAMILY AGENCY CONTRACT PROVIDER –
FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Aspiranet (Aspiranet or Agency), which included a sample of transactions from July 2013 through July 2014. The Department of Children and Family Services (DCFS) contracts with Aspiranet to provide Foster Family Agency (FFA) services to recruit, certify, train, and support foster family homes.

The purpose of our review was to determine whether Aspiranet appropriately accounted for and spent FFA Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contract and other applicable guidelines.

DCFS paid Aspiranet approximately \$1.5 million from July 2013 through July 2014 on a fixed-fee basis, at rates ranging from \$1,714 to \$1,995 per child per month. Aspiranet paid \$722,805 directly to the foster parents, which meets or exceeds the State's minimum requirement. Aspiranet's office is located in the Fourth Supervisorial District.

Results of Review

Aspiranet recorded and deposited DCFS cash receipts timely and maintained personnel files as required. However, the Agency did not always comply with their County contract requirements. Specifically, Aspiranet:

- Inappropriately charged \$4,279 (\$1,508 unallowable + \$2,771 unsupported) in expenditures to their County contract.

Aspiranet's attached response indicates that they will repay \$1,508 (\$1,475 + \$33) in unallowable and \$95 (\$62 + \$33) in unsupported expenditures. DCFS confirmed that the Agency repaid \$1,603 (\$1,508 + \$95) in unallowable and unsupported expenditures. For the remaining \$2,676 in unsupported expenditures related to information technology (IT) services provided by its for-profit subsidiary, the Agency's response indicates they will work with its for-profit subsidiary to determine the actual IT services costs and will repay DCFS the difference if the actual costs were lower than what DCFS was charged.

- Inappropriately charged shared program expenditures to their County contract. Specifically, Aspiranet did not allocate costs to all programs that benefited from the expenditures or did not have documentation to support allocations as required.

Aspiranet's attached response indicates that they will reallocate the expenditures and adjust their Semi-Annual Expenditure Reports accordingly.

In addition, we identified areas where the Agency could strengthen their internal controls over payroll and Semi-Annual Expenditure Reports. Details of our review, along with recommendations for corrective action, are discussed in Attachment I.

Review of Report

We discussed our report with Aspiranet and DCFS on June 9, 2015. The Agency's Fiscal Corrective Action Plan (FCAP) that was approved by DCFS (Attachment II) indicates the Agency agrees with our findings and recommendations. DCFS management indicates they will collect the disallowed amounts and they will conduct a review of the Agency's implementation of their correction action plan within 90 days of the approved FCAP.

We thank Aspiranet management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:meb

Attachments

- c: Sachi A. Hamai, Interim Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Joseph Kelly, Treasurer and Tax Collector
Vernon Brown, Chief Executive Officer, Aspiranet
Board of Directors, Aspiranet
B. Ray Thomas, Manager, Program/Provisional Unit, CDSS
Commission for Children and Families
Public Information Office
Audit Committee

**ASPIRANET
FOSTER FAMILY AGENCY CONTRACT PROVIDER
FISCAL COMPLIANCE REVIEW
JULY 2013 THROUGH JULY 2014**

CASH/REVENUE

Objective

Determine whether Aspiranet (Aspiranet or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank account reconciliations were prepared, reviewed, and approved by Agency management timely.

Verification

We interviewed Agency personnel, and reviewed their financial records and July 2014 bank reconciliations for three bank accounts.

Results

Aspiranet properly recorded revenue in their financial records and deposited Department of Children and Family Services (DCFS) cash receipts timely. In addition, bank reconciliations were prepared, and reviewed and approved by Agency management timely.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Aspiranet's Cost Allocation Plan (Plan) complied with their County contract, and if expenditures charged to the Foster Family Agency (FFA) Program were allowable, properly documented, and appropriately allocated as required by the Office of Management and Budget Circular A-122 (OMB A-122), the Auditor-Controller Contact Accounting and Administration Handbook (A-C Handbook), and their County contract.

Verification

We interviewed Agency personnel, and reviewed their Plan and financial records for 38 non-payroll expenditures, totaling \$25,504, charged to the FFA Program from July 2013 through June 2014.

Results

Aspiranet prepared their Plan in compliance with their County contract. However, the Agency inappropriately charged unallowable and unsupported questioned costs totaling \$4,213 (17%) and inappropriately allocated \$2,594 (11%) of the \$25,504 reviewed. Specifically, Aspiranet:

- Charged \$2,676 for information technology (IT) services provided by a for-profit subsidiary. The A-C Handbook Section A.3.3 requires payments to affiliated organizations to be disallowed on audit to the extent the payment exceeds the lower of actual costs or the reasonable costs. Aspiranet did not require its for-profit subsidiary to track the actual costs of providing the services. As a result, we were unable to determine whether the payment was within the required limits. Aspiranet needs to work with its for-profit subsidiary to determine the actual cost to provide the services, and evaluate whether IT services charged exceeded the allowable limits. Aspiranet should repay DCFS for amounts charged that exceeded the allowable limits, if applicable.
- Charged \$1,475 in unallowable expenditures consisting of \$1,396 in income taxes related to a for-profit subsidiary and \$79 in penalties. The OMB A-122 Attachment A, Section A.3 requires that expenditures be reasonable for the performance of the award and Attachment B, Section 16 states that penalties are unallowable expenditures.
- Charged \$62 for expenditures that were not supported with a detailed receipt as required by the A-C Handbook Section A.3.2.
- Inappropriately allocated \$2,594 in shared expenditures. Aspiranet either did not allocate costs to all the programs that benefited from the expenditures or did not have documentation to support the allocations as required by the A-C Handbook Section C.2 and the OMB A-122 Attachment A, Section A.4.

Recommendations

Aspiranet management:

- 1. Repay the Department of Children and Family Services \$1,537 (\$1,475 unallowable + \$62 inadequately supported expenditures).**
- 2. Determine whether the \$2,676 in information technology services charged exceeds the allowable limits and repay the Department of Children and Family Services for any excess amount.**
- 3. Ensure that all expenditures charged are allowable and supported with adequate documentation.**

4. Allocate shared expenditures to all benefiting programs.**PAYROLL AND PERSONNEL****Objective**

Determine whether Aspiranet maintained personnel files and if payroll expenditures charged to the FFA Program were allowable, properly documented, and appropriately allocated as required by OMB A-122, the A-C Handbook, and their County contract.

Verification

We compared the payroll costs for five employees, totaling \$13,209 for May 2014, to the Agency's payroll records and time reports. We also interviewed staff and reviewed personnel files.

Results

Aspiranet maintained personnel files as required. However, Aspiranet:

- Inappropriately charged \$33 for an inadequately supported salary expense and \$33 in unallowable penalties for failing to provide an employee a meal period in accordance with State Department of Labor requirements. The OMB A-122 Attachment B, Section 16 states that penalties are unallowable expenditures.
- Inappropriately charged 100% of their employees' sick and vacation time, even though some employees worked on other Agency programs. The A-C Handbook Section C.2 and the OMB A-122 Attachment A, Section A.4 require shared costs charged to programs be in accordance with the relative benefits received.
- Did not require exempt staff that worked on multiple programs to report actual hours worked on a daily basis for each program as required by the A-C Handbook Section B.3.1.

Recommendations**Aspiranet management:**

Refer to Recommendations 3 and 4.

- 5. Repay the Department of Children and Family Services \$66 (\$33 unallowable and \$33 inadequately supported expenditures).**
- 6. Ensure employees record actual hours worked each day for each program.**

SEMI-ANNUAL EXPENDITURE REPORT**Objective**

Determine whether Aspiranet's January through June 2014 Semi-Annual Expenditure Report (SAER) reconciled to their financial records and whether the Agency had any unspent revenue.

Verification

We interviewed Agency personnel, and compared their January through June 2014 SAER to their financial records.

Results

Aspiranet's January through June 2014 SAER did not reconcile to their financial records. Specifically, the Agency did not offset their clothing expenditures with clothing revenue. As a result, their SAER expenditures were overstated. In addition, Aspiranet did not appropriately allocate expenditures to the FFA Program during Fiscal Year (FY) 2013-14. The Agency needs to revise their accounting records based on our recommendations above, and provide DCFS a revised SAER for FY 2013-14, and a plan of how they will utilize the unspent revenue, if applicable.

Recommendation

7. **Aspiranet management provide the Department of Children and Family Services a revised Semi-Annual Expenditure Report for Fiscal Year 2013-14, and a plan of how they will utilize the unspent revenue, if applicable.**



PHILIP L. BROWNING
Director

July 31, 2015

**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-6802

Board of Supervisors

HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHERLA KUSHAL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

Vernon Brown, Chief Executive Officer
Aspiranet dba Moss Beach Homes
400 Oyster Point Blvd. Suite 501
South San Francisco, CA 94080

Dear Mr. Brown:

**ASPIRANET – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES FOSTER
FAMILY AGENCY CONTRACT PROVIDER – FISCAL COMPLIANCE REVIEW**

We have reviewed your Fiscal Corrective Action Plan (FCAP) received on July 29, 2015 in response to the Auditor-Controller's final draft fiscal audit. With regard to the \$1,603 in questioned costs, Aspiranet and DCFS agreed that the total of \$1,603 was disallowed and must be repaid to the Department. Additionally, Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

Please make your check payable to DCFS Cashier in the amount of \$1,603 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, CA 90020

If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-0182.

Sincerely,


Kristine Ovsepyan, ASM II
Fiscal Compliance Unit

Attachments

c: Aggie Alonso, Chief Accountant-Auditor (via electronic mail only)
Rhonda David-Shirley, CSA III (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

**AUDITOR-CONTROLLER'S FISCAL COMPLIANCE REVIEW OF ASPIRANET -
A DEPARTMENT OF CHILDREN AND FAMILY SERVICES FOSTER FAMILY
AGENCY CONTRACT PROVIDER**

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated July 29, 2015, submitted by Aspiranet dba Moss Beach Homes, status of each recommendation is summarized as follows:

- 7 Recommendations (7) were fully addressed.
- Recommendations () were partially addressed
- Recommendations () directed to the Department were addressed.

Recommendation Status

1. Aspiranet management repay the Department of Children and Family Services \$1,537 (\$1,475 unallowable + \$62 inadequately supported expenditures).

Agency Proposed FCAP: Aspiranet will repay DCFS \$1,537.

DCFS Response: Please make your check payable to DCFS Cashier in the amount of \$1,537 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

2. Aspiranet management determine whether the \$2,676 in information technology services charged to the Foster Family Agency Program exceeds the allowable limits and repay the Department of Children and Family Services for any excess amount.

Agency Proposed FCAP: Aspiranet will work with its IT vendor (Altruit) to determine the costs of its IT services for fiscal year 2014. This review will be completed in ninety days. If costs are less than what was charged to DCFS, Aspiranet will credit DCFS the difference and will adjust its SAERs accordingly.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

3. **Aspiranet management ensure that all expenditures charged to the Foster Family Agency Program are allowable and supported with adequate documentation.**

Agency Proposed FCAP: Aspiranet will re-train both Accounting and Program Management to review expenses for unallowable (penalties) expenses and to insure that they are charged to an unallowable accounting code. Additionally, Aspiranet will also retrain staff to provide Accounting with the necessary detail for expenses before processing them.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

4. **Aspiranet management allocate shared expenditures to all benefiting programs.**

Agency Proposed FCAP: On Attachment I, page two of the auditor's report they determined that \$2,594 in expenditures were either inappropriately allocated to the FFA Program or had no supporting documentation. Aspiranet has reviewed the detail of these transactions. We agree that the total amount was inappropriately allocated or had no supporting documentation. Aspiranet will reallocate the expenditures and adjust the SAERs accordingly.

Aspiranet will review the full fiscal year 2014 in the next 90 days and will reallocate any sick and vacation time that was charged to the FFA program that should have been allocated to other shared programs. Aspiranet will also revise its SAERs to reflect this change for the audit period of July 2013 through June 30, 2014.

Aspiranet will review its detailed general ledger reports for all expenses for the FFA program for the 2014 fiscal year in the next 90 days and will reallocate those shared expenses that were not allocated appropriately. Aspiranet will adjust its SAERs for any of these reallocations.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

5. **Aspiranet management repay the Department of Children and Family Services \$66 (\$33 unallowable and \$33 inadequately supported expenditures).**

Agency Proposed FCAP: Aspiranet will repay the \$66.00.

DCFS Response: Please make your check payable to DCFS Cashier in the amount of \$66 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

6. **Aspiranet management ensure employees record actual hours worked each day for each program.**

Agency Proposed FCAP: Aspiranet is implementing a new time and attendance system on September 1, 2015. With this new time and attendance system, Aspiranet will have exempt staff record actual hours worked on a daily basis. It will also be able to produce timecards and time reports that reflect the total hours worked each day by staff and how those hours were charged to each of the programs.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.

7. **Aspiranet management provide the Department of Children and Family Services revised Semi-Annual Expenditure Reports for Fiscal Year 2013-2014, and a plan of how they will utilize the unspent revenue, if applicable.**

Agency Proposed FCAP: Aspiranet will revise its SAERs to reflect all the adjustments made for the 2014 fiscal year as a result of DCF's findings and any rework that Aspiranet will do in the next 90 days.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.